

Message Text

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22-12

ACTION EB-07

INFO OCT-01 EUR-12 EA-09 ISO-00 AID-05 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 EPA-04 /081 W

----- 101880

R 120910Z NOV 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 4809

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION OECD PARIS

UNCLAS TOKYO 16215

PASS TREASURY, FEDERAL RESERVE AND LABOR

E.O. 11652: N/A

TAGS: ECON, EFIN, ELAB, JA

SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - WEEK OF NOV 5-12

1. SUMMARY: INDICATORS SHOW MIXED OUTLOOK THIS WEEK. NEW CAR REGISTRATIONS CONTINUE TO ADVANCE, IN ANTICIPATION OF TIGHTER POLLUTION CONTROLS. HOWEVER, NEW MACHINERY ORDERS SHOW NO SIGN YET OF REVIVAL IN PLANT AND EQUIPMENT SPENDING PLANS. LABOR DEMAND REMAINS SLACK, SUGGESTING WIDESPREAD VIEW IN BUSINESS COMMUNITY THAT FUTURE PACE OF RECOVERY WILL BE MODEST. END SUMMARY.

2. NEW CAR REGISTRATIONS CONTINUED TO ADVANCE, RISING 8.5 PERCENT IN OCT ON SEASONALLY ADJUSTED BASIS. THERE ARE REPORTS THAT SOME DEALERS HAVE BEEN STRESSING THE SAVINGS TO CONSUMERS OF PURCHASING A MEDIUM OR LARGE SIZE CAR BEFORE HEAVY TAXES ON HIGH-POLLUTION AUTOS TAKE EFFECT EARLY NEXT YEAR. NEWS REPORTS INDICATE THAT GOJ OFFICIALS HAVE REQUESTED A SLOWDOWN IN PRODUCTION OF HIGH-POLLUTION VEHICLES BY THE MAJOR AUTO MAKERS,
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TOYOTA AND NISSAN.

	SEASONALLY ADJUSTED		
	UNADJUSTED	(PCT. INCR.	
	(1,000 CARS)	(1,000 CARS)	FROM PRIOR MO.)
AUG	164.4	190.9	-23.9
SEPT	241.9	236.5	23.9
OCT	260.7	256.6	8.5

3. NEW PRIVATE MACHINERY ORDERS, EXCLUDING SHIPS (JEI 337), DECLINED SLIGHTLY, BY 3.8 PERCENT IN SEPT ON S.A. BASIS. AVERAGE MONTHLY ORDERS IN JULY-SEPT WERE 8.6 PERCENT BELOW LEVEL OF PRIOR QUARTER AND 26.8 PERCENT BELOW AVERAGE LEVEL FOR CY 1974.

	(BILLION YEN)	(PCT. CH. FROM PRIOR MO.)
JULY	173.0	-24.9
AUG	231.2	33.6
SEPT	222.4	- 3.8

4. LABOR MARKET CONDITIONS WORSENERD IN SEPT. THE UNEMPLOYMENT RATE (JEI 379) ROSE SHARPLY ON EASONALLY ADJUSTED BASIS TO HIT 1.99 PERCENT, THE HIGHEST LEVEL IN 15 YEARS. (TOKYO 16130, ELABORATING LABOR SITUATION HERE, CITED UNEMPLOYMENT RATE OF 1.93 PERCENT; THIS IS SLIGHTLY DIFFERENT THAN FIGURE CITED ABOVE BECAUSE SEASONAL ADJUSTMENT DONE BY PRIME MINISTER'S STATISTICAL OFFICE RATHER THAN BY EPA, WHICH USES MODIFIED CENSUS II METHOD.) ALTHOUGH INDEX OF OVERTIME WORKED IN MANUFACTURING (JEI 401) ROSE SLIGHTLY, THE PERCENTAGE INCREASE IN SEPT WAS MUCH SMALLER THAN IN TWO PREVIOUS MONTHS. RATIO OF JOB OFFERS TO JOB APPLICANTS (JEI 385) WAS UNCHANGED.

	OVERTIME, MFG.		JOB OFFERS TO		UNEMPLOYED
	(INDEX)	(PCT INCR)	APPLICANTS	RATIO	(1,000) (RATE)
JULY	49.1	7.2	0.56	970	1.83
AUG	50.4	2.6	0.55	970	1.83
SEPT	51.1	1.4	0.55	1050	1.99

5. BANK OF JAPAN PREPARED TO ASSIST LARGE ISSUE OF GOJ DEFICIT BONDS. BOJ GOVERNOR MORINAGA ANNOUNCED THAT RESERVE REQUIREMENTS FOR COMMERCIAL BANK DEPOSITS WILL BE UNCLASSIFIED

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REDUCED EFFECTIVE NOV 16. FOR DEPOSITS ABOVE 1,500 BIL YEN, FOR EXAMPLE, THE REQUIRED RESERVE FOR TIME DEPOSITS WILL BE CUT TO 2.00 PERCENT AND THAT ON LIQUID DEPOSITS TO 3.75 PERCENT. ADDITIONAL MOVES TO INCREASE BANK LIQUIDITY INCLUDE A FIVEFOLD RISE IN THE CEILING ON BOJ LOANS TO FINANCE SECURITY COMPANY PURCHASES IN THE SECONDARY MARKET OF BONDS NOW HELD BY BANKS, AND BOJ WILLINGNESS TO LEND TO TWO ADDITIONAL ORGANS TO FINANCE

BOND PURCHASES. MAIN ASPECT OF ASSISTING GOJ IN ITS
FINANCING PLANS WILL BE TO SHIFT CURRENTLY OUTSTANDING
GOJ AND LOCAL GOVT BONDS FROM BANKS TO SECURITY COMPANIES
AND BOJ. BANKS WILL BE OBLIGED TO BUY NEW ISSUES OF GOJ
BONDS.
HODGSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, FINANCIAL STABILITY, ECONOMIC DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 12 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TOKYO16215
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750393-0748
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751152/aaaabuyq.tel
Line Count: 121
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 02 DEC 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 DEC 2003 by MaustMC>; APPROVED <29 JAN 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL AND ECONOMIC DEVELOPMENTS - WEEK OF NOV 5-12
TAGS: ECON, EFIN, ELAB, JA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006